HEALTHY MARKETS
TRANSPARENCY & TRUST

September 26, 2016

Via Electronic Mail (rule-comments@sec.gov)

Mr. Brent J. Fields, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: Disclosure of Order Handling Information (S7-14-16)

Dear Mr. Fields:

The Healthy Markets Association appreciates the opportunity to offer comments to the SEC's proposal to expand disclosure of order handling information (hereinafter, the "SEC Proposal").[1]

The Healthy Markets Association is an investor-focused not-for-profit coalition working to educate market participants and promote data-driven reforms to market structure challenges. Our members, who range from a few billion to hundreds of billions of dollars in assets under management, have come together behind one basic principle: Informed investors and policymakers are essential for healthy capital markets.[2]

One of the key initiatives of Healthy Markets is to protect investors by promoting transparency in order handling by brokers and execution venues. These efforts have included:

- the preparation and submission of proposed reforms to Rules 605 and 606;[3]
- the drafting of the Healthy Markets Order Routing Questionnaire for investors seeking to perform due diligence on their brokers;

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[1] Disclosure of Order Handling Information, 81 Fed. Reg. 49432 (July 27, 2016), available at https://www.gpo.gov/fdsys/pkg/FR-2016-07-27/pdf/2016-16967.pdf. Our comments herein are substantively similar to those offered by Healthy Markets Board Member, Chris Nagy, before the SEC's Equity Market Structure Advisory Committee at its August 2, 2016 meeting. Statement of Chris Nagy, before the SEC Equity Market Structure Advisory Committee, Aug. 2, 2016, available at https://www.sec.gov/comments/265-29/26529-80.pdf.

[2] To learn more about Healthy Markets, or our Buyside and Working Group Members, please see our website at http://www.healthymarkets.org.

[3] SEC Rules 605/606 Reforms, Healthy Markets Association, available at https://static1.squarespace.com/static/5576334ce4b0c2435131749b/t/56d0bdb4b09f95cc0f323de2/1456520638872/Healthy+Markets+605+and+606+Reforms.pdf.

- the creation and release of the Healthy Markets ATS Questionnaire for investors and brokers seeking to perform due diligence on ATSs;[4]
- the preparation and release of the Healthy Markets ATS Transparency Index™;[5]
- the preparation and release to members of the Healthy Markets 2016 ATS Risk Assessment, which reviews several key aspects of ATS operations;[6]
- offering comments to the SEC's Equity Market Structure Advisory Committee on 605 and 606 reforms;[7]
- offering comments to the SEC on its proposed reforms to ATS disclosures;[8] and
- the preparation and release of the Better Best Execution report, which surveys investors' best practices in seeking best execution, including for due diligence and reviews of execution quality.[9]

In addition to our transparency efforts, we help our Members collect, analyze and make sense of Rule 605 and 606 reports as part of our monthly Market Structure Insights report. We know how difficult it is to find these reports, the boundaries of their current utility, and their potential as a key tool for protecting investors and promoting competition amongst brokers and venues.

We thank the Commission for its thoughtful proposal, and we urge the Commission to revise and finalize the reforms as soon as practicable. These reforms are essential to enabling investors to protect themselves while promoting fair competition for order flow.

BACKGROUND

When the SEC adopted the forerunner to Rule 606 (Rule 11Ac1-6),[10] almost exactly 16 years ago, we witnessed first hand[11] the impact of the reports on competition and behavior in the marketplace. It promoted competition and best execution. It allowed firms to

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[4] Healthy Markets ATS Questionnaire, Healthy Markets Association, Sept. 16, 2015, available upon request at http://www.healthymarkets.org/ats-questionnaire.

[5] ATS Transparency Index™, Healthy Markets Association, Mar. 2016, available at http://www.healthymarkets.org/ats-transparency-index.

[6] 2016 ATS Risk Assessment, Healthy Markets Association, June 6, 2016, available at http://www.healthymarkets.org/new-ats-transparency-index.

[7] Statement of Chris Nagy, before the SEC Equity Market Structure Advisory Committee, Aug. 2, 2016, available at https://www.sec.gov/comments/265-29/26529-80.pdf.

[8] Letter from Healthy Markets Association to Brent J. Fields, SEC, Feb. 26, 2016, available at https://www.sec.gov/comments/s7-23-15/s72315-18.pdf.

[9] Better Best Execution, Healthy Markets Association, Mar. 15, 2016, available at http://www.healthymarkets.org/better-best-execution/.

[10] Rule 11Ac1-6, which the SEC redesignated into Rule 606 in 2005, was first proposed by the SEC at the end of July 2000. 65 Fed. Reg. 48406 (Aug. 8, 2000).

[11] Chris Nagy, a Board Member for Healthy Markets, has been actively engaged with the SEC for decades, and his opinions on these issues are routinely sought by market participants and regulators. Most recently, Mr. Nagy spoke with the SEC's Equity Market Structure Advisory Committee on August 2, 2016 about reforms to brokers' and venues' order routing disclosures. Our remarks today are intended to inform this rulemaking and supplement Mr. Nagy's written statement for that meeting, which was attended by the three sitting Commissioners and key SEC staff.

perform their regular and rigorous reviews of execution quality, and it helped them compare themselves to their peers. It also gave investors information about how certain brokers generally routed orders. Investors and brokers changed behavior based on what they saw.

Unfortunately, the content and delivery of the information provided by these reports has become decreasingly useful. Today, Rule 606 reports are nearly entirely obsolete. Much of this obsolescence is because of the fundamental changes in how securities are traded over the past two decades. There are more exchanges, more dark pools, and more ways to trade. Order handling practices and order types have changed, while time horizons have shrunk.

Amidst all of this change in order routing behavior, opportunities for abuse have arisen. Institutional and retail investors have been left to question whether their brokers are routing orders to venues most likely to achieve the best fills, or instead sending their orders to the venues that maximize the brokers' profits. These concerns have been highlighted by academic research, press reports of regulatory investigations, best-selling books, and even US Senate hearings.

Healthy Markets has proposed our own reforms to Rules 605 and 606.[12] Many of our recommendations are similar to those outlined by the Commission, as well as by the SEC's Equity Market Structure Advisory Committee's draft recommendations. Some are not.
Some of the key elements from the Healthy Markets proposal for Rule 606 include:

- Improving report accessibility and industry coverage, such as by:
    - Centralizing reports from all parties in one location;
    - Standardizing the identification of venues;
    - Including historical reports;
    - Removing listing distinctions;
    - Publishing reports in a machine-readable format; and
    - Creating a consistent reporting template;

- Expanding the universe of covered orders and reporting firms, such as by:
    - Requiring 100% of orders to be included, including odd lots, marketable limit orders as their own category, canceled orders, IOCs, and all orders at the open and close;
    - Including directed orders as separate category; and
    - Require any firm routing orders to publish 606 reports (e.g. exchanges, brokers, etc.);

- Adding new, more descriptive metrics, such as including:

[12] SEC Rule 605/606 Reform, Healthy Markets Association, *available at* http://static1.squarespace.com/static/5576334ce4b0c2435131749b/t/56d0bdb4b09f95cc0f323de2/1456520638872/Healthy+Markets+605+and+606+Reforms.pdf.

- Venue-level information, including fill rates, payments and charges (separately, as opposed to on a net basis), and basic execution quality statistics such as average execution time, quoted spread, realized spread buckets and price improvement statistics; and
- Intermediary routing information for orders routed by an intermediary.[13]

We encourage the SEC to revise the SEC Proposal to more closely align with our proposal outlined above. In the pages that follow, we attempt to address our specific concerns

Reforms to Order Routing Disclosures Could Protect Investors and Promote Competition, But Flaws in the SEC Proposal Could Severely Limit Benefits

We agree with the objectives of the rule. We agree that investors should be entitled to standardized order handling information so that they can better assess the impact of their brokers' order routing decisions.[14] And we also agree that public disclosure of aggregated order handling information could assist market participants in comparing brokers and perhaps even enable some level of peer analysis.[15]

We further believe that the proposed rule could restore Rule 606 reports as valuable tools in assisting investors, academics, and other firms with understanding how investors' orders are handled and executed. We also believe that properly constructed 605 and 606 reporting could promote transparent competition and behavior changes by participants.
That said, we wish to point out that the SEC Proposal also has some flaws that, if not properly remedied, may severely undermine its efficacy.

The SEC Proposal Should Not Distinguish Between "Institutional" and "Retail" Orders

The Commission proposes to dramatically expand the coverage of Rule 606 reporting, but it would also create a new distinction between "institutional orders" and "retail orders". To do this, it would create a new definition for a class of order of $200,000 or more, which it calls an "institutional order." It would then re-designate the term "customer order" to be "retail order". Brokers would be subject to alternative reporting obligations for these purportedly different types of orders.

We believe the SEC should abandon this artificial distinction and apply its proposal equally to all investors. Investors of all types and sizes deserve to know how their orders are handled. Worse, this misguided dichotomy between retail and so-called institutional is also poorly implemented.

[13] Id. Notably, many of these proposals are included in the EMSAC draft recommendations.
[14] 81 Fed. Reg. 49434 (Jul. 27, 2016).
[15] Id.

Proposed Reporting Requirements
For "institutional" customers, brokers would have to, upon request, provide each institutional customer with information related to their "institutional" orders for the prior 6 months, broken out on a monthly basis. That information would include:

- The handling of the customer's institutional orders at the broker-dealer;
- the routing of the customer's institutional orders to various trading centers;
- the execution of those orders, and the quality of execution;
- the extent to which such orders provided liquidity or removed liquidity, and
- the average transaction rebates received or fees paid by the broker-dealer. This information would be provided for each venue, and would further be divided into passive, neutral, and aggressive order routing strategies.

Brokers would then have to provide that information on an aggregated basis on their public websites for a period of at least 3 years.

For "retail orders", the SEC would:

- require limit order information to be split into marketable and non-marketable categories;
- require more detailed disclosure of the net aggregate amount of any payments received from or paid to certain trading centers;
- require broker-dealers to describe any terms of payment for order flow arrangements and profit-sharing relationships with certain venues that may influence its order routing decisions;
- require that broker-dealers keep retail order routing reports posted on an Internet Web site that is free and readily accessible to the public for a period of three years from the initial date of posting on the Internet Web site; and
- eliminate the requirement to group retail order routing information by listing market.

Concerns with Proposed Bifurcation of "Institutional" and "Retail" Orders
At a basic level, the SEC's rules should inform and protect investors, regardless of their order size. While the apparatus surrounding the execution of so-called retail orders has evolved differently than the apparatus for trading of large institutions' orders, the results should be the same for both: best execution. Both types of investors deserve to know how their orders are routed and executed.

Further, the arbitrary distinction misses several key facts of the modern marketplace. Critically, the SEC's proposed distinction assumes that large institutional investors send relatively large orders to their brokers, such as the large block trades common in decades gone by. While some of this still occurs, the instances are far less than in years past. Many of the most sophisticated investors zealously seek to protect their customer information from being potentially misused by not sending larger orders to any one broker. Instead, they may often feed brokers smaller orders at a time, or simultaneously utilize more than one broker in advanced order routing strategies to avoid information leakage and higher trading costs. In an age where brokers' smart order routers slice and dice larger orders to feed out into the markets for execution, many investors themselves are slicing and dicing orders before sending them to their brokers. These orders may often be individually less than $200,000, and so they would not be treated as "institutional orders" under the proposed rule.

As a result, a large institutional investor would be denied key information about a significant portion of its orders, while smaller institutions (who are even less likely to hit the threshold), would be deprived of this critical regulatory and competitive information. In fact, a large number of smaller institutional investors may trade through retail brokerage channels that they use for order execution and custody. These institutions, which have the same obligations and responsibilities as their larger brethren, should not be denied access to the same important information as their larger peers.

By excluding some unknown portion of a large institution's orders (and perhaps all of a smaller institution's orders) from heightened scrutiny, opportunities for abuse and evasion may arise. For example, investors may seek to deliberately avoid being identified as "institutional orders", and so may use this arbitrary distinction as a way to do that.

We firmly believe that any share or dollar-based distinction between customer order types is fraught with these perils, which are likely to make the resulting report of limited utility. Again, we strongly urge the SEC to not go down this path.

If the "retail" brokerage community and their wholesaler service providers insist on some distinction because they argue that they are currently incapable of providing this basic information to customers, then we would encourage some alternative method. One method that the SEC discussed in the SEC Proposal could be to distinguish the orders based on the registration or regulatory status of the customer, such as whether it is registered with the SEC as an investment adviser or an ERISA plan that is trading directly. In this regard, we note that thousands of advisers, with as much as $100 million or more in assets may not be registered with the SEC.[16] Nevertheless, this suboptimal solution seems to at least avoid some of the negative consequences of an order size distinction, and could include state registration as another factor to improve the effectiveness of this categorization.

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[16] Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, thousands of smaller investment advisers were pushed out of the SEC regulatory system into the states' regulatory regimes. At the same time, larger advisers were compelled to register with the SEC. The net effect was that the total number of SEC-registered advisers decreased while the assets under management for registered advisers increased. See, e.g., SEC Division of Investment Management, *Dodd Frank Act Changes to Investment Adviser Registration Requirements*, (as of Jan. 2013), *available at* https://www.sec.gov/divisions/investment/imissues/df-iaregistration.pdf.

Another suggestion some have made would be to consider bifurcating orders based on the order types used. We strongly caution against this approach. Any type of distinction that is subjectively at the control of a party could serve as an effective "opt in" or "opt out." We worry that the effect of this could result in misleading analyses and potential abuses.

Further, order type-based solutions would likely be rife with regulatory complexity, while also creating significant new and different challenges. If the SEC were to pursue an order type-based bifurcation, the SEC would have to clearly delineate which order types are to be included and which are not. If this is not clearly standardized, then different brokers could easily end up treating the same order types differently for reporting purposes. Further, as with the dollar-based thresholds, a number of institutions may send their brokers orders of various types. As a result, an institutional investor may not receive a report with a complete or accurate picture of its broker's order routing practices across all orders--even though the institutional investor's oversight obligations clearly cover all of its orders. Again, an unknown subset of information would be lost. Similarly, a significant portion of other orders, including from other market participants, would be lost.

In any of these sub-optimal scenarios, we would hope that the SEC would consider mandating at least the same level of information for "retail" orders as was provided pursuant to the Financial Information Forum "FIF" voluntary program, and would include several other metrics in the disclosure as well.[17] We would also urge that the SEC ensure that in any definition of "retail orders" that 100% of order flow is included in the report. This would mean expanding the definition of retail order, and breaking out "directed orders" into a separate category.

The Proposal Does Not Adequately Remedy Concerns with the Structure, Format and Location of 605/606 Reports

Perhaps one of the greatest challenges to anyone seeking to analyze and review 606 and 605 data is the decentralized nature of the current disclosure requirement. The lack of a central repository for the data makes it all but impossible for investors and academics alike to scour websites to locate the data if they don't have a comprehensive understanding of the known universe. Even then, reports are often buried within a particular firm's website

[17] FIF sought to enhance 605 and 606 disclosures on a retail level by providing voluntary metrics that would enable consumers to compare basic quantitative measurements across retail broker/dealers. The FIF voluntary program created standard voluntary metrics to allow comparisons across brokers and internalizing market making firms. FIF's program created two templates for firms to utilize. The broker template can be found at https://fif.com/images/Retail_Execution_Quality_Statistics/FIF_Rule_605-606_WG_-_Retail_Execution_Quality_Stats_Retailer_Template.pdf and the wholesale market making template can be found at https://fif.com/images/Retail_Execution_Quality_Statistics/FIF_Rule_605-606_WG_-_Retail_Execution_Quality_Stats_Wholesaler_Template.pdf. The information provided by this program is incredibly valuable, even if participation in it is very limited. Regrettably, FIF's voluntary program has gained limited acceptance with just three retail brokers and three wholesale market-making firms providing data.

and difficult to locate. Furthermore, limited historical data is readily available. We appreciate the EMSAC's preliminary recommendation on this point, and agree.

Investors or other parties should not have to scour dozens, or even hundreds, of websites to find the information they need. Brokers, and increasingly investors, are likely to want to use this information as part of their best execution review practices. However, by leaving this information scattered to the corners of the internet, the laudable goal is rendered nearly impossible for all but the most well-resourced firms. If we go to the trouble of requiring reports, we should take the next step to make sure investors, brokers, academics, and the public can find and use them. Cross-firm comparisons are significantly aided by centralizing all of these reports in one central location.

One possibility could be to centralize reporting in a manner similar to how FINRA recently began publishing ATS and OTC statistics. We believe the rule should require mandatory reporting to a centralized database. This would aid consumers, researchers and academics. We believe that with centralized reporting, many problems such as incorrect or missing data would be easily spotted and corrected.

The concerns with misleading and erroneous reports cannot be overstated. Data without explanation is often close to useless, and is prone to misuse or misinterpretation. That is why one simple change could be to have header information in Rule 605 reports.

But the accuracy of 606 reports continues to remain a concern. Many firms omit information from the reports, incorrectly display information, or provide incorrect links to the data.[18] For example, when Chris Nagy reviewed 397 firms' reports in 2010, he found that only 22% of those firms were accurately meeting their disclosure requirements.[19] These problems are still found today. In fact, because Healthy Markets reviews these reports as part of our services to our Members, we note that many reporting firms still provide incorrect links or old and obsolete naming conventions. By centralizing reports, data problems could be far more easily identified and remedied.

Reforms Should be Flexible Enough to Evolve with Industry and Regulatory Expectations

Essentially, the SEC Proposal appears to address many of the obvious shortcomings of the existing reporting requirements. But it does so in a static way, which does not provide for further enhancement or improvement in the years ahead.

The Commission should recognize that, as well as specific reporting requirements are structured today, they will be quickly outpaced by both technological advancements and

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[18] Letter from Christopher Nagy, TD Ameritrade, to Elizabeth Murphy, SEC, (Apr. 21, 2010), *available at* https://www.sec.gov/comments/s7-02-10/s70210-124.pdf.

[19] Id, at 6.

regulatory expectations. Trading systems will continue to evolve, as will industry practices. Some of those changes may even come as a result of enhanced order routing disclosures.

Again, the current 606 reports were of far greater utility 16 years ago than they are today. And so it will be with the current obligations, unless something changes. Unfortunately, the proposed rule would cement specific obligations that may be useful today but could become outdated in the years that follow.

Industry best practices and regulatory expectations also change over time. For example, amidst improved transparency and analytical tools, FINRA declared in November 2015 that: "[g]iven developments in order routing technology, order-by-order review of execution quality is increasingly possible for a range of orders in all equity securities and standardized options."[20] It further suggested instances where order-by-order analysis may be appropriate.

Many investors are increasingly looking to perform comprehensive analyses, such as "parent-to-broker-to-algo-to-venue" analyses. But, as the Commission recognizes in the SEC Proposal, investors are having an increasingly difficult time assessing their trade impact and receiving both specific firm information and peer information about their order characteristics. Further, only the largest, most sophisticated firms are likely to have the resources to perform such analysis in today's environment.[21]

This is exacerbated by the proposed requirement that customer specific information would only be provided to customers upon request. We believe this information should be sent periodically to investors, rather than on an ad hoc user-requested basis. Without this requirement, smaller investors may be not benefit from this new information. They may not even know to ask.

To ensure that the reports remain relevant, and to promote competition, we urge the SEC to consider framing the reporting elements of Rules 605 and 606 so that they may be tweaked over time without completely rewriting the rules. Further, we urge the SEC to require brokers to periodically report the required information directly to customers (as opposed to making them available upon request). We further urge the SEC to fulfill its retrospective review mandate, and periodically review these rules.

Finally, we believe that one way to mitigate this concern could be to require brokers to provide their clients' raw order routing data upon request, including parent orders, child orders and executions. Today, buyside firms face significant difficulty and inconsistent responses from brokers when they request this data, often getting less detail than they need or no data at all. Mandating disclosure of this data would allow participants to stay on

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[20] FINRA 15-46.

[21] For an overview of an investment adviser's obligations and best practices regarding best execution, please see our Better Best Execution Report. Better Best Execution, Healthy Markets Association, Mar. 15, 2016, available at http://www.healthymarkets.org/better-best-execution/.

top of any technological or order routing changes without relying on a regulatory process to update rules that can take years to catch up.

Separately Identify Indications of Interest

One specific issue that we wish to specifically highlight is the treatment of indications of interest (IOIs). At a high-level, we support the proposal to include disclosures and statistics for all IOIs by broker-dealers. However, these IOIs (actionable and non-actionable) should be reported separately from orders.

The execution quality and routing characteristics of IOIs are fundamentally different from normal parent and child orders, and must be reported separately for investors to properly analyze how orders are being handled. Otherwise, the IOIs could generate a lot of potentially misleading information. Finer points regarding orders could be lost in the noise, and investors would likely lose a lot of the value of improved reporting.

Further, the distinctions, if any, between actionable and non-actionable IOIs should be clearly defined so that all market participants have a thorough understanding of how any given IOI should be treated. Consistency across firms is important.

Objectively and Clearly Classify Orders

In general, we think that classifying individual orders based on intent as passive, neutral or active could be easier and less fraught with risk than attempting to classify whole order routing strategies. Nevertheless, the SEC Proposal would categorize institutional disclosures under different order routing strategies - passive, neutral and active. This strikes us as an imperfect, yet reasonable categorization. However, we worry that imprecise, non-quantitative categorization may lead to disparate categorization amongst brokers and an inability to compare them, and compare individual brokers over time.

Instead, we would encourage the Commission to make this categorization as quantitative as possible, either by using a metric such as the active-to-passive ratio (which is implicitly what is being done), or at least mandating that categorization be quantitative rather than qualitative. That would facilitate greater disclosure for users of those strategies, and a much more consistent means of comparison across brokers and over time. Without this objective standard, we worry firms will treat similar strategies differently, and thus dramatically reduce the quality of information and comparisons.

Improve Disclosure Metrics

We applaud the Commission for driving the integration of order routing and execution quality metrics in both the individual and aggregate institutional reports. While metrics reporting should be unified between institutional and retail to the extent possible (and the distinction between the two eliminated or improved), this is nevertheless an important step forward. That being said, we have multiple concerns about the form these recommendations have taken.

Institutional Execution Quality Metrics

The execution quality metrics for institutional orders are missing some important, standard measurements that are commonly used in the marketplace. For both passive and aggressive orders, a spread capture[22] metric would go a long way to complementing the Commission's requirements around midpoint reporting, and the reporting of the number of orders executed at better than the midpoint. This metric helps to quantify price improvement, and the extent to which some venues provide more or less (and the relation thereof to fee structure). This need is exacerbated by the fact that there are no execution quality metrics tied to aggressive orders (except for fill rate).

Retail Execution Quality Metrics

We would like to see similar execution quality metrics provided to retail customers as per our above suggestions. Again, the reporting from the FIF program could form the baseline. These disclosures include, by market center: at or better, price improvement, average savings per order and average execution speed. In addition, the disclosure of effective-over-quoted is an important metric that should be required, given its usage by retail brokers in order routing determinations.

Improve Disclosure of Net Execution Fee or Rebate and Other Routing Inducements

Once again, we fully support many of the Commission's recommendations regarding the disclosure of fees, rebates and other order routing arrangements. As we have said repeatedly, we would strongly prefer the Commission adopt a unified rule across both institutional and retail disclosures. That being said, if the Commission insists upon a bifurcation of institutional and retail, we want to ensure the final rule provides investors with at least the information that is most critical to them.

Institutional Fee/Rebate Disclosures

We support disclosure of the net execution fee or rebate and believe the benefit to investors will be worth the effort required by broker-dealers to track this information. Furthermore, given that some broker-dealers offer fee pass-through arrangements (known as Cost-Plus), we believe the capabilities are in the industry to track this information.

Retail Fee/Rebate and Order Routing Disclosures

We support the disclosure of any agreements, written or oral, that may influence a broker-dealer's order routing decision, and believe the inclusion of the term "oral" to be a critical stipulation, as many of these agreements (or the details thereof) may not be written. We also support the disclosure of the non-exhaustive list of terms of a payment for order flow

[22] Spread capture measures the execution price relative to the NBBO. A value equal to 0% indicates the trade occurred exactly at the best aggressive price (none of the spread was captured), which a value equal to 100% indicates the opposite, that the trade occurred at the 'far touch' (all of the spread was captured). Midpoint executions would be 50%.

or profit-sharing arrangement, and believe them to be an accurate representation of the kinds of practices that could influence order routing.[23]

Ensure Reports are in a Machine Readable Format

We applaud the SEC for proposing that firms publish data in a machine-readable format. The Commission has elected to use the XML format, which might be expected, given that this format is used for other machine-readable disclosures. We would encourage the Commission to remain flexible enough to evolve with technological advancements and changes. For example, while XML is currently common, its history is decades old and it is considered a legacy technology. Many firms have moved (or are moving) to more flexible standards, such as JSON. JSON may be more easily integrated into modern analytics platforms, and we suspect some brokers and investors might prefer using it rather than XML. Again, while we do not yet have a formal opinion, we think the Commission should preserve flexibility to ensure that the reports evolve with technology.

Consider Expanding Options Market Disclosures

Once again, we would like to draw attention to the options market. We would urge the SEC to include identical disclosures in the options markets. These markets are shockingly opaque, and in need of transparency.

CONCLUSION

If the Commission is to better protect investors by modernizing and expanding Rule 606 reporting, it must first get the foundational aspects correct. Our recommendations above are intended to restore Rule 606 reports as effective tools for protecting investors and promoting competition amidst changing markets.

We urge you to revise and adopt reforms to brokers' and execution venues' order handling disclosure obligations without delay. Should you have any questions or wish to discuss our recommendations, please do not hesitate to contact me at [redacted]. Thank you for your consideration.

Sincerely,

Tyler Gellasch
Executive Director
Healthy Markets Association

[23] See, 81 FR 49464.